

entirely to bridge the gap between our non-complementary economies.

That leaves only the third alternative as a means of creating Latin American buying power. Entirely apart from our recent discouraging experiences in connection with Latin American loans and existing legislation prohibiting further credit extension to nations in default of outstanding dollar obligations, it is readily apparent that the problem of extending additional financial assistance to our southern neighbors is a tremendously difficult one. For, obviously, any obligation, to be worth more than the paper it is written on, must hold forth the prospect of ultimate repayment.

Now, the only possible way such loans could be repaid would be for the borrowers greatly to increase their exports either to us or to the rest of the world. That in turn would require the development of new agricultural or industrial fields or enlargement of existing minor ones. That should not be impossible in an area nearly three times the size of the United States, rich in raw resources and enjoying a wide range of climatic conditions.

What it boils down to is that any financial aid we extend—and it might very well be in the form of equity money rather than loans—must be directed toward the building up of paying industries turning out products for which there will be a real export market. In the process, we could turn a nice piece of business supplying the required capital goods. It would be a big job, whether undertaken by their entrepreneurs or ours, but by no means an impossible one. And it appears to be the only means by which a sound and lasting increase in Latin American trade can be achieved.

As I See It!

(Continued from page 647)

of possibilities of Hitler's retirement and even liquidation.

All in all, everything points to the fact that the Nazis have maneuvered Germany into a very bad position; that the Allies will be able to handle the situation adequately; that the Germans, once more, have shown themselves to be unfit and incapable of being entrusted with great power.

As the Trader Sees Today's Market

(Continued from page 671)

doing so gains on the preferred, it will gradually be switched into the other issue.

This system has had the effect of stressing investment for income during prosperous times and speculation for capital appreciation during slumps. Dividend return has been somewhat reduced through holding large amounts of common near the bottom when the common was not paying dividends, but this has been a negligible factor in comparison to the gains from switching. Furthermore, the ready cash position has been of inestimable value, since it was built up during good times in advance of a depression when numerous opportunities for its profitable employment are sure to exist.

The tendency of the preferred stock to begin edging forward early in a recovery cycle has meant increasing common holdings at nearly perfect times in the past.

The value of the total holdings has shrunk \$70,000 from 1929 to date, but against this is the cash profit withdrawn of \$38,000. With heavier holdings of common any further gain in the market will mean quick recovery on the paper loss, turned into additional cash on the way up. The owner might have saved money by selling everything in 1929, which he did not feel free to do, even if he could have foreseen the whole future course of prices. As it is, he has combined investment and trading, conservatism and speculation, in such a way as to net a tidy profit over a straight holding policy without at any time diminishing his representation in the company. If more were doing this sort of trading, or whatever one chooses to call it, the market would

Cumulative Index to Volume 64

Pages 1 to 52, inclusive, April 22, 1939	Pages 313 to 364, inclusive, July 15, 1939
Pages 53 to 104, inclusive, May 6, 1939	Pages 365 to 420, inclusive, July 29, 1939
Pages 105 to 156, inclusive, May 20, 1939	Pages 421 to 480, inclusive, Aug. 12, 1939
Pages 157 to 208, inclusive, June 3, 1939	Pages 481 to 536, inclusive, Aug. 26, 1939
Pages 209 to 260, inclusive, June 17, 1939	Pages 537 to 588, inclusive, Sept. 9, 1939
Pages 261 to 312, inclusive, July 1, 1939	Pages 589 to 640, inclusive, Sept. 23, 1939
Pages 641 to 700, inclusive, Oct. 7, 1939	
Abbott Laboratories	458
Acme Steel Co.	142
Ahead:—	
Selective Recovery and Selling Points	550, 610
Aircrafts, Latest Developments in	241, 297
Air Reduction Co., Inc.	90, 530, 678
Alpha Portland Cement Co.	141, 691
Amerada Corp.	627
American Can Co.	519
American Chain & Cable Co.	415, 570
American Chicle	188
American Cyanamid Co.	139, 246, 687
American Brake Shoe & Foundry Co.	36, 475
American Encaustic Tiling Co., Inc.	194
American Home Products Corp.	348, 351
American Light & Traction Co.	626
American Locomotive Co.	688
American Potash and Chemical	614
American Rolling Mill Co.	143, 573
American Securities, Foreign Transactions in ..	15
American Smelting & Refining Co.	344, 553
American Snuff	21, 568
American Sugar Refining Co.	472
A. T. & T. Changed Outlook	325
American Tobacco Co.	87
American Water Works & Electric Co.	625
Angostura-Wupperman Corp.	474
Armament, What it Means to Our Domestic Economy	332
Armstrong Cork	572
As I See It	6, 58, 371, 595, 646
Atlas Powder Co.	350
Auto Accessories, Present & Future Leaders ..	338
Auto Equipment Companies, Leading (table) ..	339
Aviation Gains Extended	181
Barnsdall, Improved Outlook for	618
Bayuk Cigars, Inc.	104
Beatrice Creamery Co.	364
Beech-Nut Packing	76, 188
Bendix Aviation Corp.	140, 463
Best & Co., Inc.	471
Boeing Airplane Co.	194, 574
Bonds, High Grade	658
Bond Market, Signals to Watch in the	385
Borden Co.	256
Bower Roller Bearing Co.	140, 679
Bristol Myers	32, 134
Brown Shoe Co.	26, 626
Building Materials, Present & Future Leaders ..	288
Bucyrus-Erie Co.	255
Bullard Company	415
Business on the Threshold of Great Changes ..	62
Business, New Light on Forces Dominating the Future of	492
Business Prospect, 4th Quarter	598
Business Rally or Basic Recovery?	430
Business Reaction Ending? New Rise in Prospect?	166
Business Upturn—Spiral Into Recovery? Can ..	272
Business, Will it Respond?	220
Capital Must Be Encouraged, Venture	114
Caterpillar Tractor	155, 687
Cerro de Pasco Copper Corp.	295
Champion Paper & Fibre Co.	141
Chicago Flexible Shaft	195
Chicago Pneumatic Tool Co.	615
Chicago Yellow Cab Co.	103
Chrysler Corp.	247
Chrysler—Fastest Moving Motor	344
Clark Equipment Co.	438
Cleveland Graphite & Bronze	514
Cleutt, Peabody & Co.	515
Columbian Carbon	570
Commercial Credit Co.	519
Commercial Solvents Corp.	345
Common Stocks, High Yielding	91, 527
Commodities, What to Expect of	655
Commonwealth Edison	237
Congoleum-Nairn, Inc.	238
Container Corp.	194
Containers, Present and Future Leaders in ..	135, 192
Continental Baking Co.	389
Continental Can	626
Companies with Progressive Managements ..	668
Copper Eaters Broad Expansion Phase	126
Corn Products Refining Co.	604
Corporate Reports, Hidden Profits & Losses ..	527
Crown Cork & Seal	510
Crucible Steel Co.	454
Curtiss-Wright Corp.	622
Cuban American Sugar Co.	299
Cutler-Hammer, Inc.	691
Diesels, Which Are Ready to Show Profits? ..	351, 571
Dividend Forecast, Appraisal and Special Mid-Year	344
Part I	392
Part II	446
Part III	502

(Continued on next page)

be a far saner, broader affair.

Attempts have been made to correlate the price of a stock like U. S. Steel with some controlling factor in its industry, in this case the rate of steel operations. It is true that the rate of operations governs earning power, as shown by the accompanying chart, but a workable method of turning the relationship into a market guide is not easy to find. Not only are there large variations between price and operating rate, but between price and earnings as well. The rally in 1932 was practically unaccompanied by improvement in the industry's business, while the rally in the following year moved parallel to the steel rate; nevertheless both were disappointing except on a quick trading basis.

While it is pure coincidence that the price of the stock and the operating rate of the industry should hold within a few points of each other during so many fluctuations, there is a psychological measure here that may at times be useful. Barring a basic change in the company's earning power on a given amount of business, the existence of a large premium in the price of the stock over the level of steel operations indicates general confidence in the prospect—not necessarily overconfidence. Such a spread may endure for years at a time. When the two are close together, however, judging entirely by the past decade, business confidence is low, and we can be sure that the investor whose operations we have described is more likely to be adding to his common stock holdings than decreasing them.

Happening in Washington

(Continued from page 651)

is going to take a stand on any industry, here is its chance.

Wage-hour administration for some time has been scheduled for a shake-up before minimum wage goes up and maximum hours come down October 24. This statutory jump plus growing dissatisfaction are calculated to cause new outbreak of attacks on the law and new impetus for its amendment, and the administration is following its usual tactics of anticipating legislative action by shifting personnel.

Cumulative Index to Volume 64 (Continued)

Douglas Aircraft Co.	142	National Tea Co.	207
DuPont	138, 226	N. Y., Chicago & St. Louis R. R. Co.	298
Eastman Kodak	240	New Jersey Zinc Co.	193
Eaton Manufacturing Co.	406	New York City Omnibus	243
Economy, Trend of Our	118	North American Aviation	190
Electric Autolite	244	Oil Fields of the World and Their Markets	124
Electric Boat Co.	156	Oils at Bottom? Are the	560
Electric Storage Battery Co.	143, 584	Oils, Is This the Time to Buy?	72
El Paso Natural Gas	512	Omnibus Corp.	142
Endicott Johnson	26, 472	Parker Rust Proof	563
Ex-Cell-O Corp.	192	Paramount in New Phase	381
Farm Equipments in War	612	Penick & Ford, Ltd.	474
Farm Spending, Beneficiaries of	275	Penney, J. C.	88, 286
Food Machinery Corp.	244	Penney, Growing Profits for	398
Foreign Trade Position, Evaluating Our New	660	Phelps Dodge Corp.	407
Foreign Transactions in American Securities	15	Philip Morris & Co.	575
Foster Wheeler Corp.	191, 416	Pillsbury Flour Mills	454
Financial Power, Balance Comes to U. S.	600	Pitney-Bowes Postage Meter Co.	688
First Quarter Earnings	65	Procter & Gamble	88
First National Stores	518	Public Utility Securities, Today's Rating of	173
General Foods	23, 511	Purity Bakeries Corp.	474
General Foods vs. General Motors	346	Railroads, Changing Outlook for	508
General Mills	30, 402	Raw Materials? Who Has the	172
General Motors Co.	308, 606	Rayon Enters New Phase of Dynamic Growth	442
General Tire & Rubber Co.	245	Recovery? Business Rally or Basic	430
Gimbel Brothers, Inc.	207	Recovery? Can Business Upturn Spiral Into	272
Glidden Co.	37	Recovery Problem, What's the Answer to the	378
Gold Stocks, World Events Spur	28	Recovery, Tapping New Sources of	322
Gold, The Great Asset of Our	68	Retail Trade, Present and Future Leaders in	230
Goodrich, B. F.	246, 688	Revere Copper & Brass	679
Goodyear Earnings Snap Back	278	Reynolds Tobacco, R. J.	256
Great Britain, Muddles Through	433	Reynolds Spring Co.	299
Green Co., H. L.	571	Safeway Stores, Inc.	31, 128
Great Northern Ry. Co.	575	Scott Paper Co.	89
Greyhound Corp.	190	Sears, Roebuck & Co.	37, 345
Harbison Walker Refractories	624	Securities to Hold for Tomorrow's Profits	223
Hazel Atlas Glass	462	Selective Recovery—Selling Point—Ahead	550, 610
Hecker Products	242	Shipbuilding, The Boom in	666
Hershey Chocolate Co.	245	Shoe Manufacturers, Prospects Favor	26
Hercules Powder	294	Short Interests in the Market	564
Homestead Mining Co.	474	Simmons Co.	91
Household Finance Corp.	464	Soco Vacuum Oil 3 1/2% Deb.	134
Hudson Bay Mining & Smelting Co.	518	Spalding & Bros., A. G.	415
Howe Sound	91	Special Situations, Uncovering	514, 562, 614
If War Comes	12	Sperry Corp.	572
Industry, New Products of	16	Spicer Mfg. Co.	191
Industries for Current Investment, Safest	121	Spiegel, Inc.	192
Industries, What Will Revive These Laggard	234	Square D Co.	139
Industries, With Best Profit Outlook	376	Steel, Pay Point in	556
Ingersoll-Rand Co.	528	Storm Cellar Stocks and War Babies	558
Inland Steel Co.	296, 672	St. Joseph Lead Co.	74, 295
Interlake Iron Corp.	52, 350	St. Joseph Lead, High Profit for	664
International Agricultural Chemical Corp.	690	Stockholder's Guide, The	178, 282, 336, 400, 456, 510
International Business Machine Corp.	32, 530	Sun Oil Co.	38, 623
International Nickel Co. of Canada, Ltd.	299, 342	Superheater Co.	103
Investment Clinic	20, 76, 134, 236, 286	Sutherland Paper Co.	82
Investment Preconceptions Carried Over From 1929	494	Texas Gulf Sulphur Co.	308
Iron Firearm Mfg.	563	Texas Pacific Coal & Oil Co.	308
Jewel Tea Co.	407	Thatcher Mfg.	243
Kennecott Copper Corp.	583	Thermoid Co.	530
Kimberly-Clark Corp.	575	Thompson Products	242
Kroger Grocery & Baking Co.	89	Tidewater Associated Oil Co.	104
Lehn & Fink Products Corp.	208	Timken-Detroit Axle Co.	520, 680
LeTourneau Inc., R. G.	562	Tobacco Stocks, Profit Outlook for	284
Libbey-Owens-Ford	566	Tubeize Chatillon Corp.	639
Link Belt Co.	625, 678	Uncovering Special Situation	514, 562, 614
Loew's Inc.	528	Underwood Elliott Fisher Co.	104
Lone Star Cement Corp.	343	Union Carbide & Carbon Co., Still Growing	497
Loose-Wiles Biscuit Co.	408	United Aircraft Co.	298
Machine Tool Demand Soaring	662	United Fruit Co.	180
Machine Tool Profit Prospects	184	United Merchants & Mfg.	615
Mack Trucks, Inc.	408	United Shoe Machinery	26
Market, As the Trader Sees Today's	33, 78, 130, 182, 232, 290, 340, 390, 444, 500, 564, 616, 670	U. S. Hoffman Machinery Corp.	52
Markets, Thin	78	U. S. Pipe & Foundry	247, 296
Market Quality, a Key to	616	U. S. Rubber Co.	256
Maracaibo Oil Exploration Corp.	52	U. S. Steel, Can It Be Relied on for Market Leadership?	231
Mathieson Alkali Works, Inc.	38, 574	U. S. Tobacco	213
May Dept. Stores	86, 463	Utilities, New Conditions Favor	453
Merchandising Stocks Have Better Days Ahead	676	War Babies, and Storm Cellar Stocks	558
McCrory Stores Corp.	350, 462	War Comes, If	12
McGraw Electric Co.	515	War Scars Crimp Construction	80
McIntyre Porcupine Mines, Ltd.	627	War, The Farm Equipments in	12
Melville Shoe Co.	26, 86	War, Will Affect Business? How	56
Minneapolis Moline Power & Implement Co.	471	War's Effects on Leading Industries	652
Mohawk Carpet Mills, Inc.	528	Ward Baking Co.	574
Montgomery Ward	294, 637	Warner Bros., Pictures, Inc.	408
Motor Makers Struggle for Supremacy	132	Westinghouse Electric & Mfg.	622
Motor Wheel Corp.	690	Weston Electrical Instrument Corp.	627
Movie Executives Get the Cream	70	Westvac Chlorine Products	406
National Biscuit Co.	30, 472	What's the Answer?	378
National Cash Register Co.	308, 343	Wheeling Steel Corp.	246
National Dairy Products Corp.	38, 598	White Rock Mineral Springs Co.	193, 690
National Distillers Products Corp.	143, 573	Woolworth, F. W.	401
National Malleable & Steel Casting Co.	680	World Armament, What It Means to Our Domestic Economy	332
National Steel	672	Worthington Pump & Machinery Corp.	351
National Supply Co.	247	Wrigley, Wm. Jr.	87, 188, 457
		Youngstown Sheet & Tube Co.	194

7
8
3
3
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4
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2
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22
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66
58
95
54
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23
03
32
08
08
43
30
42
04
80
84
39
14
04
97
98
80
15
26
52
96
56
233
620
53
58
12
80
12
46
552
674
408
522
527
406
378
246
690
401
332
351
457
194